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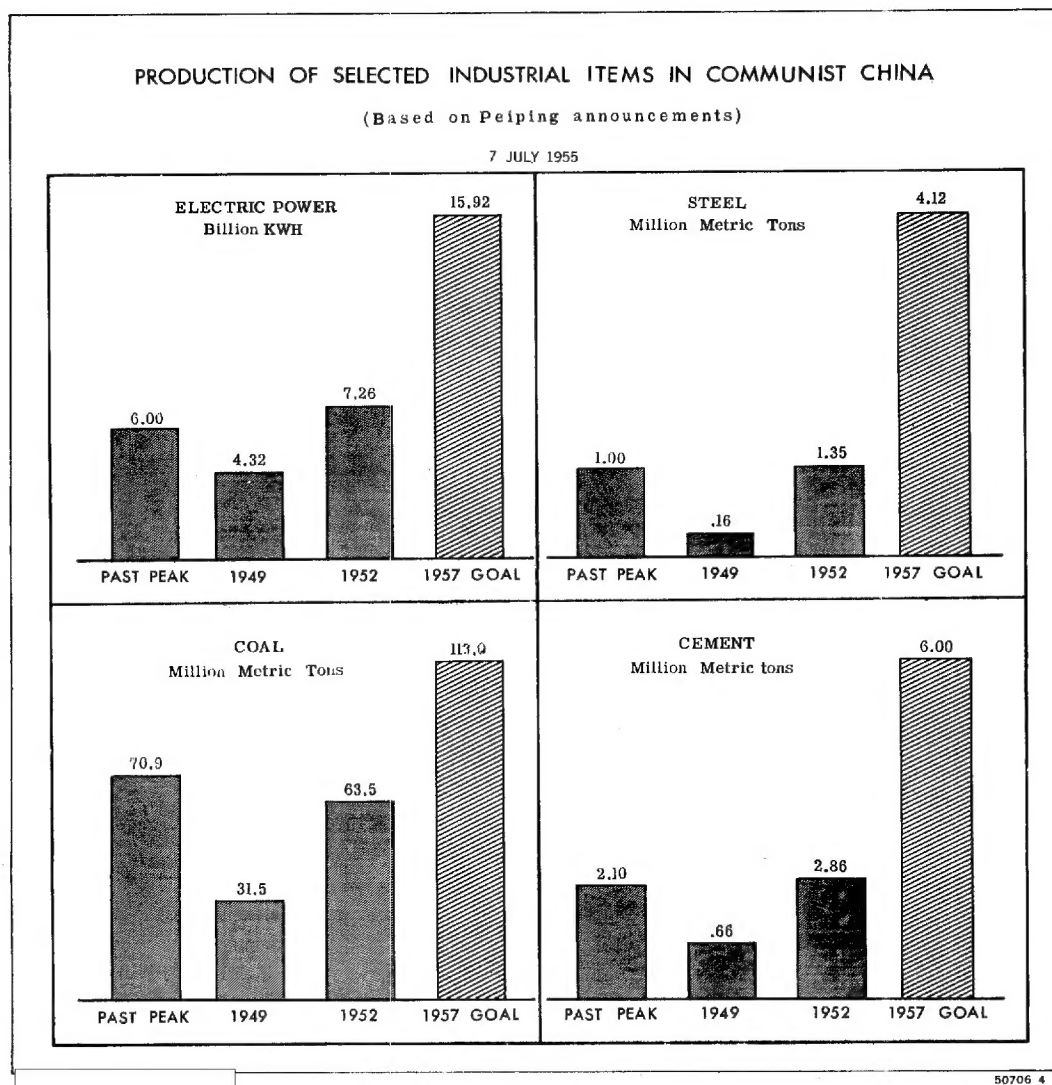
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FAR EAST

2. Comment on Communist China's first Five-Year Plan:

The announcement for the first time on 5 July of the outline of China's recently revised first Five-Year Plan, begun in 1953, indicates that Peiping does not consider the difficulties of the past two years in agricultural production sufficiently serious to lower the ambitious goals it has for industrialization. The plan appears feasible, although the attainment of some of the goals depends on the procurement of scarce heavy industrial equipment from the USSR.



The goal for increasing agricultural production by 1957 over 1952 has been reduced from 30 percent, as announced in 1953, to 17.6 percent. Even this lower figure cannot be reached, however, unless a larger percentage of investment resources is allocated to agriculture.

The Five-Year Plan calls for an increase in gross value in total industrial output of 98.3 percent over 1952. This would require an average annual increase of only 9 percent from 1954 to 1957, as compared with the announced increase of 33 percent in 1953 and 15 percent in 1954.

By 1957 China plans to begin, with Soviet aid, the development of atomic energy for economic purposes. In January the USSR offered to help China and several Satellites develop atomic energy for peaceful purposes, an offer that Peiping has since publicized on several occasions.

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EASTERN EUROPE

4. Comment on Satellite attendance at American diplomatic receptions on 4 July:

Receptions held by American diplomatic missions in Poland, Czechoslovakia, and Hungary on 4 July were unusually well attended by Satellite and Soviet representatives, whose behavior was also unusually cordial.

This, together with the attendance of ranking Soviet presidium members at the American embassy reception in Moscow, suggests that the Satellite officials acted under specific instructions from the USSR. Their attendance and behavior at the receptions contrast sharply with the virulent anti-American propaganda which has characterized the recent and numerous "spy" trials in the Satellites.

The American legation staff and other Western diplomats in Budapest were "stunned" by the unexpected "onslaught" of Soviet bloc diplomats and top-level Hungarian officials. Among those in attendance at the reception were party first secretary Rakosi, two deputy prime ministers, and the foreign minister. This was Rakosi's first appearance at a Western diplomatic reception since 1948.

The legation comments that the unexpected turnout, the largest for a Western reception in years, was particularly surprising in view of the American boycott of celebrations on Hungarian National Day in April.

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The Czech delegation attending the reception in Prague, although "typically more cautious than their Soviet mentors," included for the first time in several years a fairly high-level group headed by the foreign minister. Soviet bloc mission chiefs were also present, including the Hungarian ambassador, who had initially declined but who apparently later received orders to attend. The American embassy notes that attendance at the Canadian reception on 1 July was similar, but that the British reception for the queen's birthday on 9 June had been virtually boycotted.

In Warsaw, a larger number of Polish officials than usual made an appearance and the atmosphere at the reception was "cordial."

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WESTERN EUROPE

5. Comment on proposed Italian cabinet:

The cabinet formed by Italian premier-designate Segni will likely receive parliamentary approval, but would appear to have little chance of surviving for more than a brief period. While the cabinet could be expected to continue Scelba's pro-Western foreign policy, it would face a continuing stalemate on domestic reforms.

Segni's major problem will be to maintain parliamentary support for a shaky coalition of diverse elements. He has secured the full backing of his own Christian Democratic Party only at the price of giving the Finance Ministry and other important portfolios to members of the party's right wing. These right-wingers would thus be in a position to co-operate with the Liberal Party to block measures supported by the reformist elements in the Labor, Budget, Agriculture, and Public Works Ministries. Furthermore, Christian Democrats and minor parties alike have become increasingly uneasy in alliance with each other, and the patience exercised by these groups during Scelba's 16 months in office has worn thin.

Some of the opposition parties, such as the Monarchists and Nenni Socialists, will probably adopt a wait-and-see attitude in parliament until they discover whether Segni will seek their support.

LATIN AMERICA

6. Cuban revolutionary attempt may be imminent:

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there may be some disturbances as a result of the "aggressive" language of ex-president Carlos Prío Socarras in announcing his plans to return to Cuba by the middle of July.

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Comment: the army probably remains loyal to Batista.

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Since the Batista regime granted a political amnesty on 7 May, Cuban security authorities have increased repression of the opposition, and on 16 June they ordered the arrest of Prío and 16 others as "terrorists." The return of Prío, whose regime was overthrown by Batista in March 1952, would almost certainly lead to public demonstrations, but these would probably not threaten the present administration.

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